

# A SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIP



Business and Labor Interim  
Committee Hearing

# UTAH FUND OF FUNDS HISTORY

**2003:** Utah State Legislature passes the Utah Venture Capital Enhancement Act creating the Utah Fund of Funds

- \$100MM of contingent, refundable tax credits were authorized
- UCIC, a management corp. with board of industry veterans created
- UCIB, a government appointed oversight board was also created

**2006:** After confirming constitutionality and securing \$100MM in private sector financing from Deutsche Bank, Utah Fund of Funds begins investing.

**2008:** Utah State Legislature approves an additional \$200MM in refundable contingent tax credits for the program.

**2012:** Deutsche Bank financing is refinanced with local loans from Zion's Bank and Morgan Stanley securing a much lower cost of capital for the program and preping for phase II investments.

# LEGISLATIVE MANDATE - UVCEA

- Mobilize private investment in capital partnerships
- Secure best managers in or out of the state
- Act as a catalyst to facilitate private investment into UFOF
- Enhance venture infrastructure
- Maintain focus on positive returns
- Maximize direct economic impact
- Limit use of tax credits in achieving the above

# ECONOMIC IMPACT HIGHLIGHTS

- \$121MM committed to 28 capital partnerships, including 8 local funds; 70% are focused on early stage companies
- **67 Utah companies** have received over **\$650 million** in investment capital from UCIC partner funds
- **3,500+** direct and indirect **new** **Utah jobs** created by partner funds
- Estimated **\$35 million** taxes collected to date and over **\$87 million** in projected new state tax revenues through 2021
- \$15 million seed fund created: Upstart Ventures
- Performance: Top 3 of 30 state sponsored programs

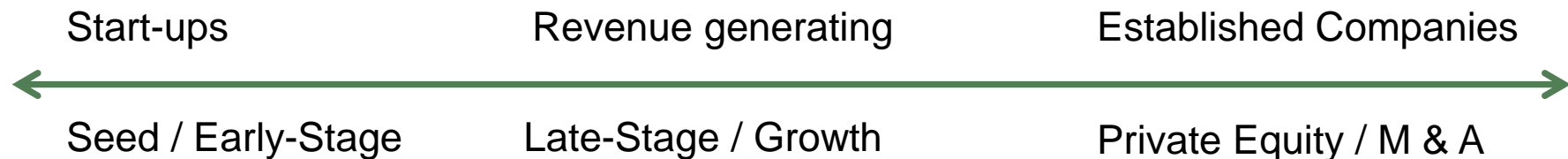
# UCIC's Purpose: Increase capital into Utah

- UCIC's investment activities provide partnerships with top investors in and out of Utah to support **five (5) major functions**:

## UCIC's Five Major Functions

1. Investments in Venture Capital and Private Equity Funds to increase capital into Utah
2. Seed and angel investment support (USBGI, K2, TCO, Subtraction, SL Life Science, IIF)
3. Entrepreneur investment training and matchmaking (i.e. getting deals funded)
4. Early-stage innovation and accelerator support; Alignment with state objectives
5. Marketing Utah to a national audience of private market investors

- UCIC supports increasing capital for all stages of Utah's companies



# Appendix : Utah Venture Capital & Private Equity Research

- Utah ranks 5<sup>th</sup> in Milken Science and Technology Index (2011) which demonstrates the presence and strength of fundamentals in the respective states for technology-led growth.
- **VC/PE-backed companies grow much faster than non VC/PE-backed companies.**
  - Over the 5-year period following an investment, VC-backed companies grow revenues 846% and employment 608% faster than their non VC-backed counterparts respectively.
  - During the same period, PE-backed companies grow revenues 129% and employment 257% faster than non PE-backed counterparts.
- Utah-based funds account for 16% of the total VC\$ invested in the state. California-based funds account for 56% of VC\$ invested in Utah.
- 20% of Utah's Gross State Product is produced by VC-backed companies.
- Utah ranks 19<sup>th</sup> since 2000 in venture capital investments while recently declining on average by 10% over the latter part of the last decade.
- Colorado and Washington receive significantly higher amounts of venture capital on a per capita basis than Utah. CA and MA average 6x to 8x more VC investments **per capita** than Utah receives.
- Utah has had 83 transactions of over \$50MM since 2002. Colorado has had 287 and Washington has had 225.
- VC-backed companies created the employment of the majority of workers in key Utah clusters: Software - 90%, Biotechnology - 74%, Computers - 54%.
- According to NVCA, 1 job was created for every \$86,144 of VC\$ invested into Utah.